(a) whether it is a fact that Government have allowed the mutual funds to go ahead with capital investment in foreign countries;

(b) if so, the percentage upto which these mutual funds would be free to invest in foreign countries; and

(c) the reasons for allowing these mutual funds to go for capital investment in the foreign countries?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Mutual Funds are permitted to invest in the countries with fully convertible currencies in (i) foreign debt securities with highest foreign currency credit rating, (ii) Government securities where the countries are AAA rated, and (iii) equity of listed overseas companies which have shareholding of an at least 10% in an Indian company listed on a recognized stock exchange in India. The overall cap on investment in ADRs / GDRs issued by Indian companies and foreign equity and debt securities in US $1 billion. A Mutual Fund can invest up to 10% of its net assets subject to a minimum of US $5 million and a maximum of US $ 50 million. The Union Budget for 2006-07 has proposed further liberalization of norms for investment by Mutual Funds in foreign countries.

(c) This is a measure to liberalise the Exchange control regulations relating to capital account transactions.

Payment of bonus on Monthly Income Schemes of Post Offices

1515. SHRI KARNENDU BHATTACHARJEE:
SHRI LALIT SURI:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have discontinued the payment of bonus on maturity of Post Office Monthly Income Schemes;

(b) if so, the details thereof and the reasons therefor;

(c) whether other rules relating to MIS and other investment schemes for the small investors have also been amended; and

(d) the likely impact of the proposed measure on the growth of small savings by medium and small investors and steps proposed to be taken in regard thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL) : (a) to (c) Yes, Sir. No bonus shall be paid on the deposits made in the accounts opened on or after 13.2.2006 under the

Post Office Monthly Income Account (POMIA) Scheme. However, deposits in accounts opened before 13.2.2006 shall continue to be eligible for bonus as hithertofore. The amendment has been made to align the effective yield on deposits under this scheme with other comparable savings instruments.

The rates of penalty for premature withdrawal of deposits under the POMIA Scheme have also been modified with effect from 10.2.2006. If the account is closed between 1 to 3 years from the date of opening of the account, deduction at the rate of 2% of the deposit, as against the earlier rate of 3.5%, and if the account is closed after 3 years, deduction at the rate of 1% of the deposit shall be made.

(d) The amendments are not expected to impact the growth of small savings. The effective return under the POMIA scheme at 8% per annum payable monthly is still higher than returns on other comparable savings instruments. While the revised penalty rates will provided relief to the depositors who need to close their accounts before 3 years, the nominal penalty of 1% after 3 years is expected to encourage the depositors to hold their deposits till maturity.

Food subsidies for BPL families

1516. SHRI AMAR SINGH:
SHRI ABU ASIM AZMI:

Will the Minister of FINANCE be pleased to state:

(a) how much amount has been allocated for food subsidies for the current financial year for Below Poverty Line families and how much expenditure has been incurred upto 31st December, 2005;

(b) whether Government propose to introduce a system of cash payment for them instead of giving subsidy through the public distribution system; and

(c) if so, the details thereof and the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL) : (a) An amount of Rs. 23,200 crore has been earmarked as food subsidies in the Revised Estimates for 2005-06, which includes, *inter alia,* provisions for both families below poverty line and above poverty line. As per the provisional data released by the Controller General of Accounts Rs. 15,290 crore has been incurred in the period April-December, 2005 under the head food subsidy.